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DPS-3649 Copy 1 of 1

29 August 1958

MEMORANDUM FOR THE RECORD

SUBJECT: Pricing Formula

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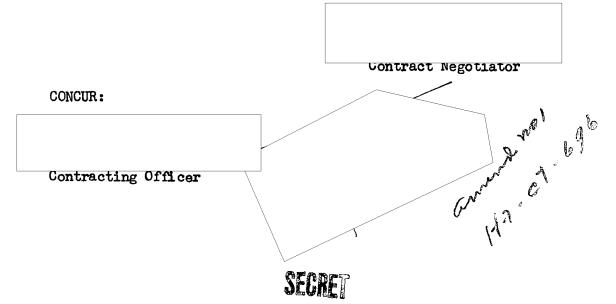
Audit Report #193, 15 August 1958

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1. Discussed the subject audit report with

Contract Administrator, of Hycon stated that the proposed rates per hour were proposed at ½ to 1% above the present average hourly rate. In Grade I at \$3.12 per hr. he stated that six of their 7 men in this category were presently receiving \$3.09 per hour. The reason for this proposal was that the company felt that a large quantity of orders would be priced in the period 1 July 1958 through 31 December 1958 but that labor on a substantial number of orders would be performed during the period beginning 1 January 1959.

- 2. In view of the comments in paragraph 5.a. regarding overhead and the fact that the Navy contracts mentioned in paragraph 6 would cover a 2 year period it was felt that the pricing formula was acceptable for the period 1 July 1958 through 31 December 1958.
- 3. The matter was discussed with and the rate per hour was discussed. He felt that they could not reduce this to their actual average. Therefore we countered with allowing only 9½% or 10% for profit. checked with Hycon's management and they agreed to a 10% profit factor. Therefore, the pricing formula was accepted as proposed except for reducing the profit from 11.1% to 10% of total manufacturing cost.



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